

LEFT IN LIMBO

How the Trump Shutdown
Hurts CA-45 Families



Executive Summary

The shutdown has caused deep harm to middle class families across California. Because of the shutdown, 800,000 public servants have begun missing paychecks. About 42,000 of these federal employees live in California, and up to 5,000 furloughed employees are residents of California's 45th district.

We have begun to see the wide-ranging harms of the shutdown, which threatens the solvency of critical federal programs like housing assistance, cripples the timeliness of federal services like the Internal Revenue Service's processing of tax returns and income verifications, and shuts consumer safety programs like the Do Not Call registry. As the days pass, the breadth and severity of these impacts will accelerate. The president's refusal to sign the spending bill approved by both the House and the Senate on a bipartisan basis is an egregious abuse of executive authority.

My office has and will continue to focus all resources on mitigating the effects of a continued shutdown and assisting Californians already hurt.

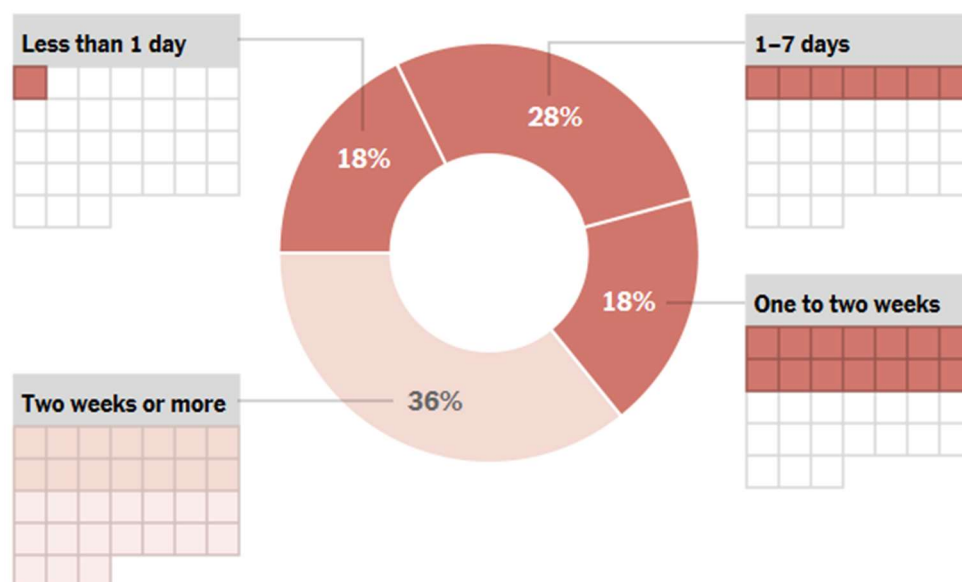


Background

Almost two-thirds of furloughed employees who are missing their paychecks do not have enough in savings to pay their living expenses for longer than fourteen days. Those same blameless federal employees are now facing dire consequences: impending loan defaults, foreclosure and eviction proceedings, utilities shut-offs, long-term damage to their credit scores, and a lack of funds to buy basic necessities for their families.

No Paycheck and No Financial Cushion

Almost two-thirds of federal workers likely have less than two weeks of expenses set aside to live, based on research of the 2013 government shutdown. Percentage of federal workers by the number of days' expenses they can cover with cash reserves.



By The New York Times | Sources: Michael Gelman, Shachar Kariv, Matthew D. Shapiro, Dan Silverman and Steven Tadelis

Affordable Housing Disrepair and Evictions

Thousands of Orange County residents, including its veterans, rely on various federal affordable housing programs to pay the rent each month. As of January 14th, 2019, the shutdown has forced the expiration of 1,150¹ nationwide rental assistance contracts between the government and private landlords and developers. Contract expirations mean the residents of those units could be evicted, and it also means that countless small business owners expecting rent payments will come up short because of the shutdown.

Affordable Housing Program Data By Congressional District CA-45

Qualifier	Properties	Units
Total	41	5,687
Sec. 8	11	749
Sec. 515	0	0
RDRA	0	0
LIHTC	16	2,098
Sec. 202	3	98
Sec. 811	1	23
Senior	5	381

Source: <http://nahma.apartmentsmart.com/affordable-housing-district/California/CA-45/>

The residents of 749 units in our district rely on the Department of Housing and Urban Development (HUD) to provide a portion of their monthly rent payments. Our local public housing authority distributes those funds to needy families and is required by law to spend 75% of the subsidized housing funds it receives to help applicants whose incomes are less than 30% of the area's median income.² In our district, that translates to an annual income of approximately \$30,000³ – or less. Orange County's rental costs are the ninth-

¹ Information provided by the US Department of Housing and Urban Development

² "Housing Choice Vouchers Fact Sheet," *Department of Housing and Urban Development* at https://www.hud.gov/topics/housing_choice_voucher_program_section_8

³ Jeff Daniels, "Democrat Katie Porter is the apparent winner in her tight California House race against Republican Rep. Mimi Walters," *CNBC* (Nov. 2018) at <https://www.cnn.com/2018/11/16/democrat-katie-porter-is-apparent-winner-in-californias-45th-district.html>



highest in the country, averaging \$2,013 per month,⁴ and making the cost of living entirely unaffordable for these residents without assistance.

The residents with disabilities who occupy 23 units and the elderly residents of 479 (Section 202 + “Senior” housing in the chart above) units in the 45th District also rely on HUD to pay portions of their rents in communities with necessary support services. To qualify for Section 202 supportive housing, an applicant must be at least 62 years old and “very low income.”⁵

The shutdown means HUD will not be able to pay landlords (many of them small business owners) direct rental assistance payments, and on top of that, it also means developers will not have an incentive to build new affordable housing in our district. Two thousand and ninety-eight affordable units in the 45th have been constructed or rehabilitated with funds from the Low-Income Housing Tax Credit (LIHTC) program administered by HUD. Without this incentive to build and repair low-income housing, progress on expanding affordable housing access in our district will grind to a halt.

Absent an immediate end to the shutdown, residents will not be able to pay their rents, property managers will not be able to make critical repairs (like patching a roof), and landlords will not receive the income they expect from their rental units.

Delayed Tax Refunds and Income Verifications

Thousands of Internal Revenue Service (IRS) employees have been furloughed as the result of the shutdown, which has caused delays in processing tax refunds and income verifications.

Without income verification documents, lenders may not be able to finance or refinance mortgages and other loans. For families experiencing recent financial hardships, access to refinancing could be critical to their financial solvencies.

⁴ Samantha Sharf, “Los Angeles Tops Our List Of The Worst Cities For Renters In 2018,” *Forbes* (April 2018) at <https://www.forbes.com/sites/samanthasharf/2018/04/13/los-angeles-tops-our-list-of-the-worst-cities-for-renters-in-2018/#65a3cab65b6b>

⁵ Section 202 Supportive Housing for the Elderly Program, Department of Housing and Urban Development at https://www.hud.gov/program_offices/housing/mfh/progdesc/eld202

These delays will be particularly harmful to low-income filers, especially those who qualify for the Earned Income Tax Credit (EITC) and the additional child tax credit. The EITC is one of the government's largest anti-poverty programs, and millions of taxpayers rely on tax refunds each year to pay off debts and fund big-ticket items like medical procedures and home repairs.

Understaffing may also render the agency ill-equipped to answer taxpayer questions going into the 2019 tax season. Given the recent implementation of the exploitative 2017 tax scam, which unfairly capped the state and local property tax (SALT) deduction for California families, taxpayers will likely have many questions about the code and new filing forms.

From late January through March 2nd of 2018, the IRS paid out tax refunds totaling \$147.6 billion to 48.5 million households.⁶ Californians submit more tax returns than any other state;⁷ for families expecting an average refund of about \$3,000,⁸ the shutdown will have very real consequences.

⁶ Damian Paletta and Erica Werner, "Millions face delayed tax refunds, cuts to food stamps as White House scrambles to deal with shutdown's consequences," *Washington Post* (January 2019) at https://www.washingtonpost.com/business/economy/millions-face-delayed-tax-refunds-cuts-to-food-aid-as-white-house-scrambles-to-deal-with-shutdown/2019/01/04/b5b58616-0fa3-11e9-8938-5898adc28fa2_story.html?noredirect=on&utm_term=.65a97d17acdo

⁷ Matthew Michaels, "The size of your tax refund depends on where you live — here's how much the average person gets back in every state," *Business Insider* (April 2018) at <https://www.businessinsider.com/tax-refund-average-by-state-2018-1>

⁸ Id.